



Slimming to Success

Company/ASX Code	Downer/DOW
AGM date	Thursday 4 November 2021
Time and location	11:00 am online at, https://web.lumiagm.com/318904541
Registry	Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Allan Goldin assisted by Keith Ready
Pre AGM Meeting?	Yes with Chair Mark, Chellew, Teresa Handicott Remuneration Committee Chair and Michael Sharp Group Head Corporate Affairs and Investor Relations

Please note any potential conflict as follows: An individual or their associates involved in the preparation of this voting intention have a shareholding in this company.

Summary of issues for meeting

Is it more profitable to build a business based on fewer assets?

What is meant by Zero Harm?

How is Downer planning for a sustainable future?

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Slim yourself to success is the road being followed, so far very successfully by the new look Urban Services capital lite Downer Group. Selling off the capital intensive, high risk parts of the business means revenue drops sharply but profit increased substantially. Hopefully this new approach will remove the long term Downer dilemma of looking good but suddenly have a stumble.

The Group has made this transformation by divesting Laundries and all the mining operations. In the middle of October Downer announced they had successfully sold Open Cut Mining East for \$150M, with completion scheduled for this financial year. The Group has now moved out of their heavy capital intensive operations so enter the next phase of their journey.

The Groups remaining business have a high percentage of long dated contracts, long established relationships and substantial revenue is tied to Federal, State and local government. Central to this new business model is the decision do no longer bid on "hard dollar" construction contracts which was the source of much of the past troubles.

Downer is the market leader in both their Transport and utilities sector. In addition to the long dated contracts and projected increased government spending in these areas, as all the customers in Asset Services are actively investing in decarbonisation projects and most are investigating

Hydrogen opportunities. The Company is investing in the expertise and capabilities to ensure that they have the necessary skill set to participate fully in these new and exciting opportunities.

It is very gratifying to read the separate Sustainability report that all shareholders received, which provides a very large amount of detailed information on what is happening and how the Group is preparing for the future.

One continuing development within Downer is the adoption of a philosophy of Zero Harm which forms a crucial part of their incentive scheme. Zero Harm at Downer means a work environment that supports the health and safety of its people and allows it to deliver its business activities in an environmentally sustainable manner and advance the communities in which it operates. This includes continuing to monitor all COVID-19 risks and controls, and supporting the Government's vaccination rollout strategy.

On the vexed question of mandatory vaccination. Downer is insisting that all new hires are fully vaccinated. For their existing 44,000 workforce scattered across Australia and New Zealand many of them have been required to be vaccinated, as they are employed in health care, education, construction and defence.

On the question of zero harm ASA questioned the new Chair on his handling of bullying complaints against the CEO of another company that he Chair's. Mr. Chellev said the matter was not as extensive or serious as was alleged in the media, but the CEO is no longer there. Mr Chellev stressed that he has absolutely no tolerance for any form of bullying.

For some time Downer has been using recycled material in its operations. They have been increasing their green offerings in the transport sector, which has met great acceptance and indeed demand for the products. Downer is now building a new energy efficient asphalt plant that can incorporate recycled products to further expand their offerings in this area.

ASA was glad to see the new Chair bought some shares immediately on his appointment. He has indicated that this board which has been a laggard in requiring Directors to have meaningful amounts of equity will be discussing the question during the coming year.

Summary

(As at FYE)	2021	2020	2019	2018	2017
NPAT (\$m)	183.7	(155.7)	276.3	71.1	181.5
UPAT (\$m)	261.2	215.1	290.8	249.7	181.4
Share price (\$)	5.59	4.38	6.92	6.78	6.41
Dividend (cents)	21	14*	28	27	24
Simple TSR (%)	32.4	(34.9)	6.3	12.6	85.6
EPS (cents)	25.4	(26.6)	42.1	10.5	35.1
CEO total remuneration, actual (\$m)	4.515	5.690	6.274	3.705	3.769

*Dividend declared with payment deferred to and made in Sept2020 due to COVID-19 Impact.

For 2021, the CEO's total actual remuneration was **49.5 times** the Australian Full time Adult Average Weekly Total Earnings (based on November 2020 data from the Australian Bureau of Statistics)

Item 2 (A)	Election of Mr. Mark Chellew as a Director
ASA Vote	For

Mr Chellew has over 40 years' experience in the building materials and related industries, much of the time at the Managing Director /CEO level.

He is currently the Chairman of Cleanaway Waste Management Limited and a Non-executive Director of Ampol Limited. He is a former Non-executive Director of Virgin Australia Holdings Limited and Infigen Energy Limited.

Mr. Chellew, was recruited from outside to directly move into the role of Chair. This is a very unusual action and shows a lack of planning on the part of the previous board. Unfortunately for him his recruitment occurred during Covid, which meant that much of his induction has taken place Virtually.

Mark Chellew seems to have the right personality, industry knowledge and recognition of the large task in front of him, for us to wish him well and for ASA to vote our undirected proxies in his favour.

Mr Mark Chellew holds 18,000 shares purchased upon joining the Company

Item 2 (B)	Re-election of Mr. Phillip Garling as a Director
ASA Vote	For

Mr Garling has over 40 years' experience in the infrastructure, construction, development and investment sectors including Global Head of Infrastructure at AMP Capital Investors and CEO of Tenix Infrastructure.

Mr Garling is currently the Chairman of Tellus Holdings Limited, Energy Queensland Limited and Newcastle Coal Infrastructure Group and a Director of Charter Hall Limited.

Mr. Garling has been a Director of Downer since 2011, which means in most circumstances he would be stepping down now. He holds 23,540 shares less than ASA would like to see in such a long serving Director, but not outside the norm for this Company.

Phil Garling if re-elected will only be on the Board for a year or so, which we would not normally support, however as the Board is in the midst of a transformation with the Chair only in place for a couple of months, this re-election make sense and ASA will vote its undirected proxies in favour of it.

Item 2 (C)	Re-election of Ms. Nicole Hollows as a Director
ASA Vote	For

Nicole Hollows has been an independent Non-executive Director since June 2018. Ms Hollows has over 20 years' experience in the resources sector in a number of senior managerial roles across both the public and private sectors, including in mining, utilities and rail. Her experience spans operational management, accounting , finance, mergers and acquisitions, capital management

Ms Hollows is the Non-executive Chair of Jameson Resources Limited, a Non-executive Director of Qube Holdings Limited and a member of the CEO Advisory Committee for Dean of Queensland University of Technology (QUT) Business School.

Mrs Hollows holds 20,538 shares and although ASA would like to see this amount increased, however will be voting their undirected proxies in favour of her re election

Item 3	Adoption of Remuneration Report
ASA Vote	For

A very pleasing remuneration report with an STI that has 50% award deferred Equity. A strong focus on cash flow. Good ongoing profit related LTI hurdles, with the only criticism being that they are only measured over 3 years.

Pleasing to see actual take-home remuneration for all KMPs.

Overall, ASA believes this remuneration structure is at the very top end of those aligned with shareholder interests.

Further details are in Appendix 1.

Item 4	Approval of LTI grant to Managing Director Grant Fenn
ASA Vote	For

This resolution is for a maximum of 374,714 performance rights. The Performance rights were calculated by dividing Mr. Fenn's Fixed Annual Remuneration of \$2M by \$5.3374 which was the VWAP share price at the time of the grant. The Performance Rights will convert to free cost shares after 3 years based on his performance against the hurdles set out in Appendix 1.

Since as we indicated our only criticism is that the measurements take place only over three years ASA will be voting their undirected proxies in favor of this resolution.

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Appendix 1

Remuneration framework detail

Short Term Incentive (STI)

Gateway based on 90% of budgeted Group NPATA before awards are paid.

50% paid in cash. 25% in paid in Equity 1 year later. 25% paid in Equity the following year.

60% of the STI is based on financial achievement and 40 % on non financial. More details of this balanced scored card approach are found pages 33 and page 42.

ASA only criticism, although the STI outcomes are shown it is not detailed as to what % each KMP received of their target, although it can be worked out very easily from the actual remuneration table.

Long Term Incentive (LTI)

33.3% based on Relative TSR. The comparator group for the 2022 Grant is the companies, excluding financial services companies, in the ASX 100 index.

30% of the bonus is paid if you are higher than 50% of the comparator group. Then straight line to 100% if higher than 75% of the group.

33.3% based on Compound annual EPS growth. A 5 % increase earns 50% of this bonus and is straight line to 10% annual compound growth where 100% is earned

33.3% on a scorecard based on Group NPATA and Group FFO. FFO is defined as net cash flow from operating activities less investing cash flow. 50% of the bonus is awarded when 90% of the target is met then straight line to 100% which earns 100% of this bonus.

The targets are set at the beginning of each of the years.

The only real criticism we have is that the LTI measurement period is only over 3 years.

2022 potential remuneration

CEO rem. Framework for FY22	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	2.0	36.4%	2.0	33.3%
STI - Cash	.75	13.6%	1.0	16.7%
STI - Equity	.75	13.6%	1.0	16.7%
LTI	2.0	36.4%	2.0	33.3%
Total	5.5	100.0%	6.0	100%

The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan.
*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.